

**Opening Statement**  
**Chairman Tom Davis**  
**“Federal Student Loan Programs:**  
**Are They Meeting the Needs of Students and Schools?”**  
**May 26, 2005**

I would like to welcome everyone to today’s oversight hearing examining federal student loan programs. The purpose of this hearing is to discuss the management and performance of the Federal Family Education Loan Program (FFELP) and the William D. Ford Federal Direct Loan Program (FDLP). Specifically, the Committee will focus on Department of Education initiatives to enhance management and delivery of services to students and schools, as well as highlight the important role of choice in the creation of increased services and streamlined delivery in both programs.

Discussions about federal student loan programs often digress into battles over which program is better and devolve into debates centering on complex cost estimates. Along with Chairman Boehner of the Education and Workforce Committee, Chairman Nussle of the Budget Committee and other House and Senate colleagues, I have asked the Government Accountability Office to examine the accuracy of cost estimates so that we will have accurate and reliable data. With conflicting studies and reports on costs, it is imperative that Congress have a thorough and independent examination of these factors, and I await the release of the GAO findings in September and the recommendations of the Committees of jurisdiction when they consider reauthorization of the Higher Education Act.

Today’s hearing will focus on the management and performance of both loan programs. We have asked our witnesses the fundamental oversight questions: Are schools and students well served by the current choice of loan programs, and is the Department effectively managing these programs? Student loan programs

must do more than issue loans to students. They must educate parents and students about their options when it comes to paying the high cost for higher education. They must help schools and students comply with complex procedures to apply for and receive student loans. We need to know: Are these programs doing all that they must do to make higher education accessible and affordable for all?

I welcome Ms. Theresa Shaw, Operating Officer of the Office of Financial Student Aid, Department of Education and the Honorable John Higgins, Inspector General of the Department of Education to discuss their successes and the continuing challenges they face in managing federal student loan programs. The Department of Education's Student Loan Programs were removed from the GAO's High Risk Series this past January and I look forward to hearing about the management improvements that made this possible.

We are also honored to have with us a wide range of student financial experts from schools whose students rely on federal student loans. Each of them has been asked to talk about their institutions' history with the federal student loan programs and to discuss their working relationships with the Department of Education. We also hope that they will suggest service improvements and reforms to the student loan programs.

During our Committee's investigation of student loan programs, we have found that 75 percent of our nation's students choose the FFELP program over the Direct Loan program. Why? The answer is that the private sector plays a pivotal role in making higher education affordable and accessible. Lenders, loan guarantors, and other non-profits provide many services that not only help students afford higher education, but also help students who mistakenly believe higher education is out of their reach. They also customize their programs for the specific

needs of diverse schools and student bodies, and provide financial and life skills training.

For example, the Committee has had the opportunity to hear from the State of Virginia's guaranty agency, ECMC, whose foundation created the "Realizing the College Dream" program. This program supports teachers, counselors, and community-based organizations in their efforts to help low-income and first-generation college students and their families realize that higher education is within their reach. Through this program and the ECMC Scholars Program, the ECMC Foundation provides millions of dollars in financial aid to students in Virginia each year.

The constant refrain that has emerged from the Committee's findings is that schools want a choice in student loan programs and that the competition between the two main student loan programs has resulted in better benefits and services for their students. Today we will hear that choice in the student loan program has resulted in a healthy, competitive marketplace on student financial aid; choice in federal student loans has led to major investments in technologies by companies and by the federal government; and that choice gives schools the power to demand loan services that best address the financial needs of the students that attend their schools.

Along with my colleagues, I welcome you all here today and look forward to today's discussion.